Audit's NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

Realty Trust Review

October 15, 1973 VOL. IV, No. 19

SHORT-TERM MORTGAGE TRUSTS--VALUE GUIDE TO ISSUES REVIEWED

	Port. Yield	--6 Mo.Port.Chng.-- Last	E Next	Lever. Ratio	Price	Yield	Div. Reinv.	Page
			Commercial bank-sponsorship					
Amer. Fletcher	11.56%	20%	12%	2.02	$29.00	9.6%	No	3
Barnett Mtg.	11.11	52	15	2.51	27.00	9.9	Yes	3
Cameron-Brown	12.33	44	20	2.06	24.88	11.7	Yes	3
Chase Man. Tr.	11.98	10	10	2.80	57.25	8.1	No	4
Cit.&So. Rl.	11.52	21	12	2.39	37.00	8.7	No	4
Cont. Ill. Rl.	10.61	44	21	1.96	19.00	9.3	No	5
First Denver	13.73	44	22	2.42	23.38	8.3	Yes	5
First Penn.	11.50	11	10	1.19	21.00	9.4	No	6
First Wisc.	13.20	59	18	2.32	39.38	10.8	No	6
Tri-South	13.11	37	25	1.29	30.38	9.5	No	6
Wells Fargo	10.31	8	8	1.94	22.25	9.8	No	7
			Independent sponsorship					
Capital	12.64	12	19	2.00	25.88	10.7	Yes	7
Cont. Mtg.	11.90	19	6	2.51	11.50	9.1	No	8
MI Wash.	11.18	41	69	1.06	16.50	10.0	Yes	8
Republic	12.29	17	3-10	0.90	16.50	10.8	Yes	8
	11.93%	29%	18%	1.96		9.71%		

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all nonconvertible debt which is working to produce return to the trust's capital (equity plus convertibles). Ratios above 3.0 are rare and may portend capital financing. NO-No operation. NE-No estimate.

Trusts making dividend reinvestment plans available to shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters. Ranges for share prices and dividend yields are shown for all four quarters to facilitate comparison with current yields and prices. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

Graphs showing ranges for the dividend yields and relation of price to book value are shown for trusts beginning with this issue. A trend line showing average dividend yield and the current yield is included on the graphs so you may position current yield quickly.

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PUBLISHED TWICE MONTHLY ON THE SECOND AND FOURTH FRIDAYS SUBSCRIPTION $84 ANNUALLY SINGLE COPY $ 5 GROUP RATES ON REQUEST

SHORT-TERM MORTGAGE TRUSTS RECOVERING SWIFTLY BUT HAVE MORE POTENTIAL

The 15 short-term mortgage trusts reviewed this issue are a study in the power of sponsorship. The 11 bank-sponsored trusts have generally commanded the lowest dividend yields while the independents until recently carried the highest yields. Since high yields generally indicate higher risk, the spread reflected investors' acceptance of Brand Names in REIT shares.

Now that may be changing, as the spread slipped to 0.3% in REALTY TRUST REVIEW's Sept. 26 monthly price survey (see graph below). As recently as June the spread was 2.3%. The market is gradually awakening to the fact that Brand Name sponsorship does not guarantee instant access to capital markets, nor does it grant immunity to problem loans. That truism is evidenced by the table at right showing that 13 of the 15 trusts reviewed now report problem loans of some sort, and overall about 3½% of investments of these trusts are in some distress. Count this as more a reflection of economic conditions in the real estate market than as evidence of competence or incompetence by the trust managers. We repeat our advice on this point: concentrate on management ability to cope with problems, not on underwriting that avoids all problems.

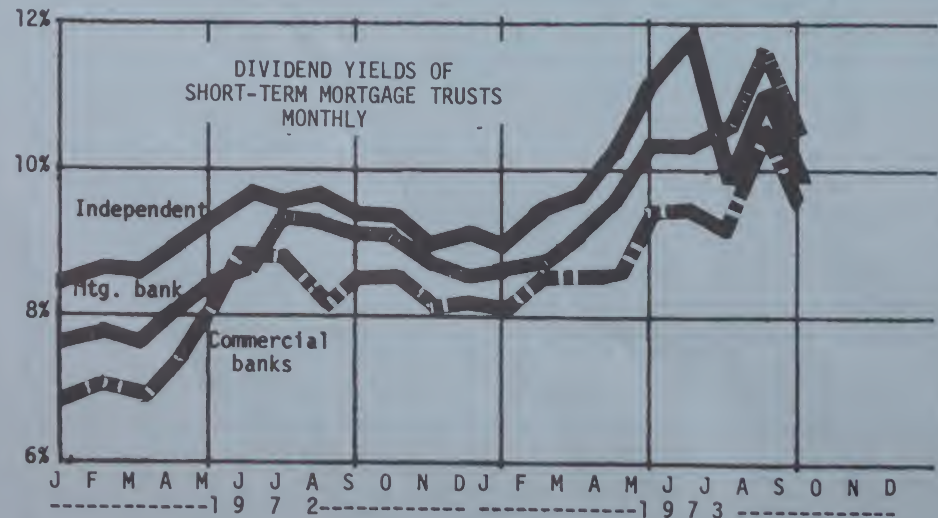
THREE KEY RATIOS

	Loss Res.#	Exp. Ratio.*	Problem Loans#
	Comm. Bank		
Am. Fletcher	0.37%	1.22%	None
Barnett Mtg.	0.25	1.40	3.0%
Cam.-Brown	0.62	1.85	7.2
Chase Man.	0.19	1.19	1.5
Cit.&So.Rl.	0.29	1.33	None
Cont.Ill.Rl.	0.60	1.72	2.5
First Den.	0.47	1.92	1.5
First Penn.	0.62	1.47	5.7
First Wis.	0.31	1.88	7.1
Tri-South	0.47	1.47	3.3
Wells Far.	0.25	1.55	3.8
	Independents		
Capital	0.40	1.21	2.6
Cont. Mtg.	0.71	2.37	6.8**
MI Wash.	0.46	1.66	1.6
Republic	1.01	2.61	5.2
AVG.	0.47%	1.66%	3.45%

#Based on gross portfolio. *Avg. of last two qtrs. **As of March 1973.

All these REIT are in the very competitive business of making short-term construction and land development loans. They typically have operated at higher leverage ratios than long-term or equity trusts, and obtained higher yields on their portfolios, hence their return on book value has averaged 2% or more above the average for all REITs. These are the factors which give these two groups their price volatility (excitement to some, risk to others). As the graph showns, dividend yields are still high by recent standards, indicating some further recovery potential. But scanning the new dividend graphs included for each issue reveals that the majority have already recovered past the mid-point of recent yield ranges and some are appraching their January 1973 highs.

Chase Manhattan, Citizens & Southern, Tri-South Mortgage and *Capital Mortgage* are candidates for longer-term appreciation plus income. *Continental Illinois Realty, Cameron-Brown* and *First Wisconsin* have speculative recovery potential. *American Fletcher, Barnett Mortgage*, and *First of Denver* are well-run trusts with regional characteristics.



First Mortgage Investors, a large independent, will be reviewed next issue.

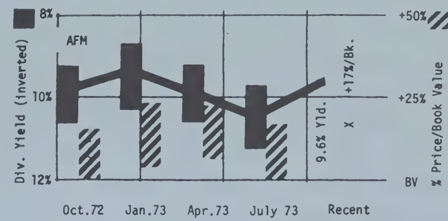
COMMENT ON ACTIVE TRUSTS

Fidelity Mtg. Inv. has stopped accruing interest on about $20M of loans and is expected to report lower EPS for the Oct. and several subsequent qtrs. FID earned $0.90 in the July qtr.

RAMPAC expects Nov. qtr. earnings to be down a bit due to rising interest rates. Earlier we had expected a slight gain.

AMER. FLETCHER MTG. INVESTORS (29 1/8-ASE-AFM) FY Jan.31

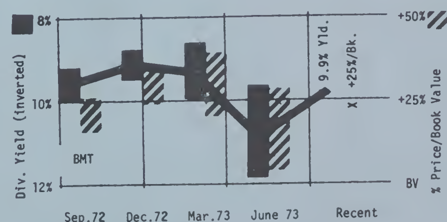
Quar.	Port.	Port.Yield	Cap.Ret.	EPS Prim.	Div.	Price Range
10/72	$81.2M	9.57%	11.39%	$0.71	$0.67	$28.88-25.13
1/73	81.3	9.30	11.37	0.71	0.67	30.75-26.00
4/73	90.8	10.61	12.32	0.76	0.70	30.38-26.50
7/73	97.8	11.56	12.68	0.80	0.70	29.00-24.88



Portfolio dynamics: A 20% gain in fundings occurred in the last 6 months and current portfolio is 74.6% constr.; 25% land, acq. & devel.; 0.4% land purchase leaseback. Mgmt. expects portfolio to reach $110M by fiscal year end Jan.'74, a 12% increase. Investments are located in 20 states with concentrations in Ind., Ill. and Ohio. All but one of present loans are tied to prime and all new loans are being tied to prime. There are no problem loans. Financing: AFM is funded by 67% non-convertible debt and 33% capital. Capital of $33.8M is all equity with 1.35M shares. Debt of $68.2M is 71% short-term bank loans and 29% term loan. No plans for public offering in the next six months. Sponsor: American Fletcher Corp., a one-bank holding co. which owns one of Indiana's largest banks. Results & outlook: Despite higher money costs trust was able to increase earnings and dividends in the past six months. Good funding growth and improved portfolio yield were the main reasons. Earnings and dividends should gain moderately in next six months based on the estimated funding growth and current good yield. An overhang of 36% due to warrants a minor negative. Shares selling at a modest premium over book have moderate capital gains potential. (VCK)

BARNETT MORTGAGE TRUST (27-NYSE-BMT) FY Mar. 31

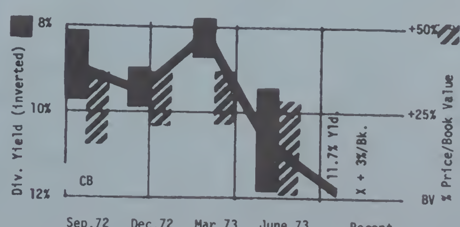
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$107.4M	11.13%	11.89%	$0.69	$0.63	$27.38-25.25
12/72	121.3	11.36	11.68	0.70	0.64	29.25-27.00
3/73	142.3	11.24	12.33	0.73	0.65	30.13-26.13
6/73	184.4	11.11	12.48	0.74	0.67	27.88-22.75



Portfolio dynamics: Fundings rose 52% in the last 6 months and mgmt. estimates investments will reach $225M by Mar'74, a 22% gain from June '73. We look for a 15% gain by Dec.'73. The slowdown in fundings is mainly due to lower production and higher repayments during the latter part of the year. Current portfolio is 64% constr.; 27% land & land devel.; 9% permanent, intermediate and junior. Investments are located 67% Southeast; 15% Southwest and a little over over 50% are located in Florida. Over 80% of trust loans are tied to prime and new loans are being made at the higher of prime or the 90 day commercial paper rate. Of $5.4M of problem loans reported in June'73 qtr., $2.4M have been cleared up. As of Sept.'73 three additional loans are in trouble amounting to $3-4M, bringing total problem loans to $6-7M, about 3% of portfolio. Financing: Total funds of $198.7 million are 71½% debt and 28½% capital (including 19½% equity and 9% synthetic convertibles). Debt of $142.1M is 60% short-term bank loans; 28% term loan; 12% commercial paper. On Aug. 23'73 trust offered $30.0M of 8½% delayed convt. deben. During August trust also sold 88,450 shares privately to two institutional investors and Barnett Banks of Fla. exercised 25T series '80 wts. The last two transactions added $2.7M to trust equity. Sponsor: Barnett Banks of Fla., second biggest Fla. bank holding co. Results & outlook: Significant increase in fundings in the last six months which were able to overcome higher money rates was a major factor in the gain in earnings and dividends. Level fundings for the remainder of the year but lower money costs indicate level earnings and dividends confirmed by mgmt. estimate of $3.00-$3.10 for fiscal 1974 ending March. Trust shares have moderate longer-term appreciation potential. (VCK)

CAMERON-BROWN INVESTMENT GROUP (25-NYSE-CB) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$93.8M	11.75%	11.12%	$0.67	$0.67	$33.00-27.63
12/72	97.1	11.17	12.76	0.77	0.73	32.75-29.50
3/73	114.6	10.53	11.37	0.69	0.64	32.88-29.50
6/73	139.9	12.33	12.59	0.76	0.73	31.00-24.50



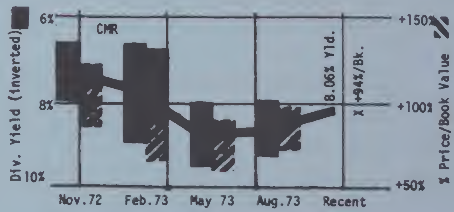
Portfolio dynamics: Fundings grew by 44% over the last six months and we expect fundings to gain about 20% over the coming two quarters. The expected slowdown is caused mainly by the easing of production and expected higher re-

payments in the fourth qtr. Current portfolio is 55% constr.; 30% land acq. and devel.; 8% permanent; 5% junior; 2% equities & real estate acquired through foreclosure. Investments are located in 14 states and Wash. D. C. with concentrations in Fla. and N.C. About 90% of loans are tied to prime and new loans are being made at the higher of prime or the commercial paper rate. Trust held $1.25M of properties acquired through foreclosure & in October acquired through foreclosure two properties amounting to $2.92M. Two other problem loans resolved by having sponsor Cameron-Brown Co. take over 960-unit Carolando motel in Orlando and bring current a $14.75M constr. loan (CBIG's share is &1M) and assume half of a $5M Carolando land loan held by the trust. Financing: Total funds of $150.9M are 33% equity (w.2.02M shares) and 66% debt. Debt of $101.6M is 61% commercial paper; 35% short-term loans; 4% term loan. There is a possibility of a public offering in the next six months. Sponsor: Cameron-Brown Co., a mortgage banker which is a subsidiary of Cameron Financial Cp. Results & outlook: Latest qtr. results were helped by strong fundings growth and significant gain in fee income. The two problem loans recently reported bring total problem loans to about 7.2% of June portfolio and could hinder Dec. qtr. results. Slowup in fundings growth another factor which could hold back earnings and dividends. Shares have declined well below historical dividend ranges on news of Carolando loans and are for speculative recovery and above-average but variable yield.

(VCK)

CHASE MANHATTAN M&R TRUST (57 3/8-NYSE-CMR) FY May 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
11/72	$627.3M	10.21%	16.14%	$1.30	$1.10	$66.50-56.00
2/73	648.1	9.65	14.91	1.14	1.12	70.00-50.25
5/73	717.2	10.76	15.51	1.19	1.14	57.25-48.38
8/73	792.5	11.98	14.85	1.14	1.14*	59.38-49.75



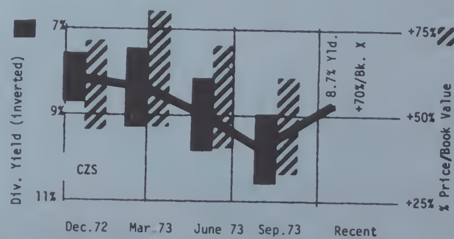
Portfolio dynamics: After a 10½% rise in funded investments in the August quarter, some slowing of percentage gains is expected in this, the industry's largest portfolio. Large paybacks are expected but a backlog of $839 million in approved but unfunded loans will maintain growth. About 60% of funded loans and all new commitments float about 3½-4% over the prime rate, one reason portfolio yield has gained rapidly the past two quarters. Holdings are 95% mortgages, 4% purchase/leasebacks and other property, 1% holdings in realty trusts and companies. Mortgages are 63% construction loans, 24% term loans, 12% land devel. loans, 4% second mtgs. Problem loans are 1.5% of holdings. Financing: CMR is funded 73.7% by non-convertible debt and 26.3% by capital. Capital of $221M is 61% equity, 12% convertibles and 27% subordinate non-convertible notes. Debt of $618M is 69% commercial paper, making CMR the largest REIT commercial paper issuer. The 2.80% leverage ratio is near the industry top. Sponsor: Chase Manhattan Bank, second largest U.S. bank. Results & outlook: Soaring interest rates pinched August quarter earnings, despite rising portfolio yield. Falling interest rates (see RTR, Sept. 30) should widen spread and let returns from moderate portfolio growth flow through to earnings. Dividend yield is about average for last four quarters (see graph) and although price is well above book value, shares should prove rewarding over longer term.

*Plus $0.16 special.

(KDC)

CITIZENS & SOUTHERN RLTY. INV.(37 5/8-NYSE-CZS) FY Sep.30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
12/72	$273.6	10.67%	$15.57%	$0.72	$0.71	$37.63-32.13
3/73	309.1	10.89	14.05	0.76	0.74	39.75-32.38
6/73	332.0	11.52	14.03	0.78	0.76	37.63-31.00
9/73	NA	NA	NA	0.82	0.82	36.50-29.38

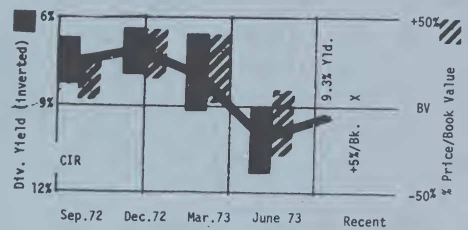


Portfolio dynamics: Funded investments rose 21% in the two qtrs. through June and are believed to have advanced strongly in the September quarter. We expect some slowing in the winter months to about a 12-15% gain thru March. Recent gains have been in commercial construction with residential construction held back. June holdings are 70½% constr. loans; 22% land loans; 5% other loans; 1.4% land purchase/leasebacks; 0.5% partnerships and joint ventures. Over 80% are tied to the prime rate

and new loans are tied to higher of prime or commercial paper. Half of investments are in Georgia, 26% in Florida. No problem loans at present; trust absorbed $395T loss on foreclosure of Chatanooga apartment constr. loan in June qtr. Financing: Total funds of $352M are 70½% non-convertible debt, 29½% capital. Capital of $103.8M is 71% equity and 29% in a 6.75% synthetic convertible (i.e., bonds may be used at par to exercise wts). Debt of $248.2M is 56% commercial paper, 44% bank lines. A $40M revolving credit and Eurodollar backup line was arranged in August. Sponsor: Citizens & Southern National Bank, major Atlanta bank. Results & outlook: Strong originating muscle and financing finesse maintained earnings in difficult September quarter. Problem loans have been handled promptly. With recent run-up in prices, shares have regained premium (see graph) and now have longer-term gains potential only. (KDC)

CONTINENTAL ILLINOIS REALTY (19 3/8-NYSE-CIR) FY Mar. 31

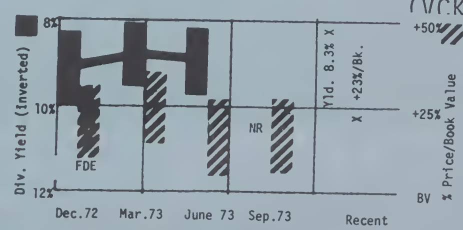
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$125.4M	8.71%	8.64%	$0.40	$0.40	$23.63-19.00
12/72	154.8	9.00	9.01	0.42	0.42	26.50-21.00
3/73	199.1	10.33	9.73	0.45	0.43	26.13-18.75
6/73	222.3	10.61	10.39	0.48	0.45	20.00-15.63



Portfolio dynamics: Current investments increased 44% over the last 6 months and are composed 63% constr.; 23% devel.; 7% intermediate & long-term; 3% junior; 3% real estate & other; 1% land. Mgmt. states that fundings at Sept.'73 were about $250M and will reach $270-275M by Dec.'73, representing an estimated 21-24% gain from June'73. Investments are located in 23 states, Canada and P.R. with concentrations in Calif. & Fla. Some 60-65% of loans are tied to prime and most new loans are being tied to prime though some are being made at the higher of prime or the commercial paper rate. Trust has 2 problem loans amounting to $5.5M, or 2.5% of June portfolio. One loan for $5.2M in Florida should become current in the Dec. qtr. while the other loan for $300T has not yet been resolved. Financing: Trust is funded 77% by non-convertible debt and 23% by capital. Capital of $51.7M is all equity with 2.80M shares. Debt of $175.3M is 67% commercial paper; 14% term loan; 14% senior subor. notes; 5% short-term bank loans. Trust does not plan public financing in next 6 months. Sponsor: Continental Illinois Corp., one bank holding co. Results & outlook: Growth in fundings and improved portfolio yield were main contributors to recent earnings increase. Continued funding gains the next six mo. plus widening spread should result in moderate earnings and dividend gains. Shares selling at the higher range of the historical dividend yield and at a slight premium over book value have some near term appreciation potential. (VCK)

FIRST OF DENVER MORTGAGE INVESTORS(23-ASE-FDE)FY Sept. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
12/72	$55.3M	11.34%	10.87%	$0.50	$0.40	$24.00-20.00
3/73	64.6	11.33	11.39	0.53	0.43	25.00-21.00
6/73	73.5	12.24	12.35	0.58	0.48	23.50-19.50
9/73	93.1	13.73	14.70	0.69	NA	23.75-19.75

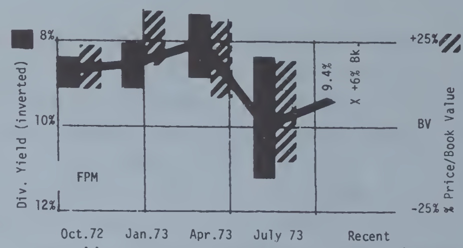


Portfolio dynamics: During the last 6 months investments gained 44% and mgmt. estimates that portfolio will be about 22% to $114M by Mar.'74. Heavy repayments in the Dec.'73 qtr. will slow near-term gains. Current portfolio is 64% constr.; 15% land devel.; 8% junior & wrap-around; 6% land; 6% intermediate; 1% equity-land. Investments are located in 18 states with 68% concentrated in Colorado. Some 83% of loans are tied to prime. Trust has two problem loans totalling $1.4M, or 1.5% of portfolio. One loan for $1.0M should be resolved by the end of Oct. with full interest & principal and the other $400T loan is in foreclosure. Financing: Trust is funded by $103.2M with 71% in non-convertible debt and 29% in capital. Capital of $30.2M is all equity with 1.60M shares. Debt of $73.0M is 55% bank loans and 45% commercial paper. A public financing is possible in next 6 mo. probably subor. debt. Sponsor: First Nat'l. Bancorp., Inc. bank holding co. for the largest bank in Colorado. Results & outlook: Dramatic growth in fundings and significantly improved portfolio yield were major contributors to the substantial earnings gains over the last six months. Earnings gains may moderate in the next six months as fundings growth levels. Shares which are selling at lower range of dividend yield and at moderate premium over book value have appreciation potential.

(VCK)

FIRST PENNSYLVANIA MTG. TRUST (22 1/8-NYSE-FPM) FY Jul.31

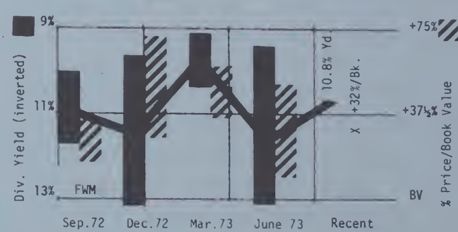
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
10/72	$116.3M	10.37%	10.26%	$0.55	$0.54	$25.75-23.50
1/73	129.1	10.39	10.75	0.58	0.56	27.88-24.38
3/73	146.0	9.87	9.79	0.51	0.50	27.25-22.50
7/73	143.2	11.50	9.86	0.52	0.52	25.00-18.50



Portfolio dynamics: Investments increased 11% over the last six months and we estimate about the same growth over the next six months since fundings will remain about level till Nov. and then pick up significantly. Current portfolio is 43% constr.; 21% devel.; 22% interim; 10% land; 3% junior, 1% property acquired through foreclosure. Loans are located in 26 states and Puerto Rico with some concentration in Florida and Mass. About 59% of loans are tied to prime and new loans are being tied to the higher of prime or the commercial paper rate. In addition to the $2.0M of property acquired through foreclosure, trust has 4 problem loans amounting to $6.21M or 5.7% of latest portfolio. Financing: Total funds of $148.0M are 54½% non-convertible debt and 45½% capital. Capital of $67.4M is 89% equity (2.96M shares) and 11% in 6 3/4% convt. deben. Debt of $80.6M is 91% commercial paper and 9% term loan. Trust does not plan a public financing in next 6 months since it recently increased its bank lines and received a $25.0M standby with a London bank. Trust also approved the purchase of 400,000 of its warrants in the open market in an effort to limit the amount of dilution to earnings and dividends. Sponsor: Associated Advisers Inc., sub. of First Pennsylvania Cp., holding company for First Pennsylvania Banking & Trust Co., among 20 largest U.S. banks. Results & outlook: July earnings were helped by income from an equity kicker which was able to overcome a drop in portfolio and only a small gain in interest income to produce a slight earnings and dividend gain. Level fundings in the October qtr. plus higher money costs indicate level or down earnings and dividends. January qtr. results should gain as fundings pick up. Shares have variable income characteristic. (VCK)

FIRST WISCONSIN MTG. TRUST (38 7/8-NYSE-FWM) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$ 90.7M	11.29%	13.19%	$0.84	$0.80	$31.50-27.13
12/72	107.2	11.39	15.25	0.90	1.00	41.25-30.25
3/73	139.3	11.59	14.13	1.00	1.02	44.88-39.13
6/73	170.2	13.20	14.92	1.09	1.05	44.25-32.00



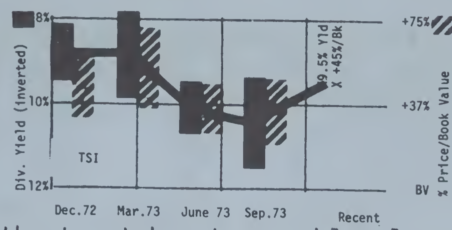
Portfolio dynamics: Fundings rose 59% during the two qtrs. to June. Healthy backlog of commitments indicates growth continued through the Sept. qtr. and fundings may reach the $200M level by Dec., up 18%. Holdings are 89% first mtg. constr. loans, 8% second mtgs., 3% land leasebacks and other. Loans are 43% apartments and condominiums, 11% commercial, 10% development, 12% land acquisition, 12% standing loans. About 95% are tied to prime but about one-third of these have reached contractural ceilings. Trust holds 6 constr. loans, 4 land loans and 2 second mtg. with $12.06M funded to troubled DeBoer Assoc. Trust has reduced interest on constr. loans to 1½% over prime (to reduce quarterly earnings by $0.03/sh.) but primary lenders are expected to buy the land loans soon. Other problem loans appear minor. Financing: Total funds of $186.9M is 70% non-convertible debt, and 30% equity with 1.91M shares. Debt of $130.6M is 71% bank borrowings, 29% commercial paper. With leverage ratio relatively high, some capital, likely subordinated debt, may be sought in near term. Sponsor: The mtg. banking sub. of First Wisconsin Trust. Co., Milwaukee. Results & outlook: While problem loans may slow growth near-term, origination volume appears strong. Capital structure is very clean (no convertibles, no warrants) and shares have long-term appreciation potential. (KDC)

TRI-SOUTH MORTGAGE INVESTORS ($31.88-NYSE-TSI) FY Dec. 31

Portfolio dynamics: Fundings gained 37% over the last six months. Current portfolio is 48% constr.; 27% land & land acq.; 15% intermediate; 4% long-term; 3% junior; 3% property acquired through foreclosure. Investments are located primarily in the Southeast. About 69% of loans are tied to prime and trust is making new loans at prime and at

TRI-SOUTH MORTGAGE INVESTORS (Continued)

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
12/72	$127.1M	11.62%	12.37%	$0.78	$0.70	$34.75-29.50
3/73	139.5	10.82	11.83	0.72	0.72	37.00-29.25
6/73	165.4	11.87	12.93	0.76	0.74	31.88-27.63
9/73	189.8	13.11	13.27	0.78	0.76	32.50-26.50

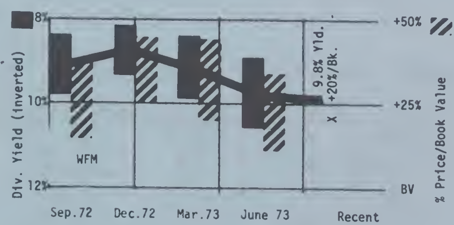


the higher of prime or the commercial paper rate. In addition to $5.2M of property acquired through foreclosure, the trust has two problem loans amounting to $1.0M. Two problems loans amounting to $2.1M have been sold to other bor rowers and are now current. Foreclosed property plus the $1.0M in problem loans amount to 3.3% of portfolio. Financing: Trust is funded 69% by non-convertible debt and 31% by capital. Trust's capital of $58.7M is 77% equity (with 2.22M shares) and 23% of 7% convt. deben. Debt of $132.6M is 50% commercial paper; 23% term loan; 19% of 7 3/4% senior deben.; 8% short-term bank loans. Trust plans a public financing in the first half of 1974. Sponsor: First & Merchants Nat'l. Bank of Richmond; First Nat'l. Bank of Atlanta; North Carolina Nat'l. Bank. Results & outlook: Strong funding growth and a significant improvement in portfolio yield produced earnings and dividend gains despite substantially higher money costs. Earnings and dividends should continue their moderate growth pattern over the next six months. Shares are selling near middle of recent yield ranges and carry a healthy premium over book value. Shares have moderate appreciation potential.

(VCK)

WELLS FARGO MORTGAGE INVESTORS (22-NYSE-WFM) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$175.9M	9.72%	11.69%	$0.53	$0.51	$24.50-20.88
12/72	190.1	9.90	12.17	0.55	0.53	26.00-22.88
3/73	197.3	9.96	12.33	0.56	0.54	25.88-21.88
6/73	205.3	10.31	11.98	0.55	0.54	24.25-20.50

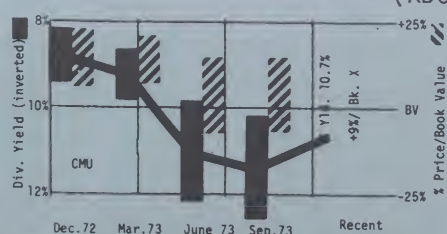


Portfolio dynamics: Fundings rose 8% the past two qtrs. and some gain of this same magnitude is expected the next two qtrs. Holdings are 70% constr. and other loans, 22% land and land devel. loans, 8% equity investments. By state, 40½% are in Calif., 14½% Texas, 12½% Ariz. Holdings are 35% apartments, 22% land & development, 14% office buildings, 13% single-family tracts. Trust specializes in lending to a relatively small group of carefully selected borrowers, incl. some smaller ones. Trust holds $7.85M (or 3.8% of holdings) in loans to U.S. Financial, which sought Ch. XI Bankruptcy Act protection in July. Some interest has been collected but trust is not accruing interest. Financing: Total funds of $209.9M are 66% non-convertible debt, 34% capital which is all shareholders' equity. Trust has leveraged entirely with commerical paper. Sponsor: A sub. of Wells Fargo & Co., Calif. one-bank holding co. Results & outlook: Rising interest rates may have brought this low-yielding portfolio into a negative spread position in the Sept. qtr. Continued strains in real estate markets should test trust's policy of selective concentration over next year. While record is good, the 9.6% yield is a bit low for risks we foresee.

(KDC)

CAPITAL MORTGAGE INVESTMENTS (25½-NYSE-CMU) FY Dec. 31

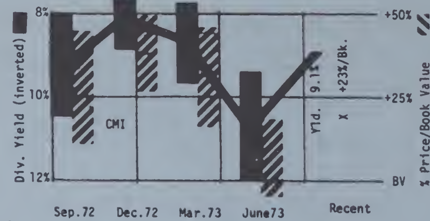
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
12/72	$114.0M	11.50%	10.18	$0.66	$0.60	$29.25-25.25
3/73	127.7	10.47	10.71	0.67	0.62	28.50-25.25
6/73	132.4	11.16	11.05	0.70	0.67	24.38-21.88
9/73	142.7	12.64	11.18	0.71	0.69	26.75-21.88



Portfolio dynamics: Investments gained 12% in the two qtrs. to Sept. Holdings are about 63% contr. loans, 23% acquisition & devel. loans, 7% interim loans, 3% second mtgs., 4% purchase leasebacks. About 69% are in the Washington, D.C. area. About 80% are tied to prime but about 20% of these have contractural ceilings. Commitment activity has been strong and about a 19% gain seems likely the next two qtrs. Trust holds $3.75M participation in loan to Carolando, Inc., Orlando motel operator (see Cameron-Brown discussion) and expects solution soon. Financing: Total funds of $158.0M are 67% debt, 12% convertibles and 21% equity. Debt of $105.3M is 66% short-term bank loans, 24% bank term loan. Subordinate debt capital may be sought. Sponsor: Independent. Results & outlook: Sept. qtr. gain came from higher portfolio yield and commitment fees. Asset management strong. Shares for yield and moderate gains.

(KDC)

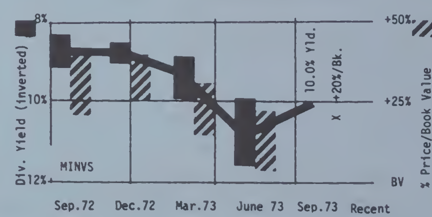
CONTINENTAL MORTGAGE INVESTORS(11 3/4-NYSE-CMI)FY Mar. 31



Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$463.9M	11.06%	11.99%	$0.28	$0.28	$14.00-10.63
12/72	529.5	10.82	11.76	0.27	0.27	14.38-12.25
3/73	572.2	11.16	11.82	0.27	0.27	14.00-11.13
6/73	630.4	11.90	11.70	0.27	0.27	11.38- 9.00

Portfolio dynamics: Portfolio rose by 19% over the last six months and mgmt. expects $40M to be added to fundings in the next six months, a gain of 6%. Current investments are 90% constr. & devel.; 9% permanent (mainly FHA and VA); 1% other short-term. Fundings are located in 38 states with some concentration in Calif. and Fla. About 75% of constr. and devel. loans are tied to prime and all new loans are being made at the higher of prime or the 90 day commercial paper rate. Trust has problem loans but current amount not given. At March 1973, trust reported 6.8% of holdings were subject to delinquent interest. Financing: Total funds of $715.3M are 71½% non-convertible debt and 28½% capital. Capital of $203.7M is 55% equity (16.96M shares); 42% in 6 1/4% convt. deben.; 3% in 5% convt. deben. Debt of $511.6M is 48% short-term bank loans and term loans; 43% commercial paper; 9% long-term loans. No public financing in next 6 months. Sponsor: Independent but trust managers are officers of Continental Investment Corp., manager via a subsidiary of Diversified Mtg. Investors, an intermediate term mtg. trust. Results & outlook: Recently declared dividend of $0.28 for the Sept. qtr. indicates earnings were up slightly for the qtr. Slowing of funding growth in the next six months may keep earnings and dividends level. No overhang due to warrants. Shares for variable income. (VCK)

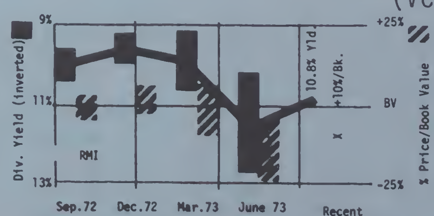
MTG. INVESTORS OF WASHINGTON (16 3/4-OTC-MINVS)FY Mar.31



Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$43.9M	11.61%	10.72%	$0.40	$0.39	$18.63-17.00
12/72	52.4	11.23	11.53	0.42	0.40	18.63-17.63
3/73	65.4	10.93	11.27	0.42	0.41	18.50-16.50
6/73	73.9	11.18	12.15	0.43	0.42	17.00-14.50

Portfolio dynamics: Investments grew 41% the last 2 qtrs. and mgmt. expects fundings to reach $125M by Mar.'74, a 69% gain from June'73. The growth depends partly on successful completion of a proposed $15M note offering (below). Current portfolio is 52% constr.; 20% land & devel.; 14% interim; 10% long-term; 4% land purchase-leaseback. Investments are concentrated in Va., Md., Fla. and Wash. D.C. Some 78% of loans are tied to prime. Trust has 2 problem loans amounting to $1.2M, or 1.7% of the portfolio. Financing: Trust is funded at $82.5M with 64% in non-convertible debt and 36% in capital. Capital of $30.0M is 91% equity. Debt of $52.6M is 62% short-term bank loans; 19% term loan; 19% subor. notes. Trust has a $15M seven-year note offering in registration, with interest to float at a fixed premium above prime. Sponsor: Independent but with ties to Weaver Bros. Inc., 23rd largest U.S. mtg. banker. Results & outlook: Healthy funding growth and improving portfolio yield produced slight earning gains. Funding outlook is healthy although based partly on the proposed note offering. Shares selling at the higher range of dividend yield have moderate appreciation potential. (VCK)

REPUBLIC MORTGAGE INVESTORS (16 5/8-NYSE-RMI) FY Dec. 31



Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	Price Range
9/72	$64.8M	12.45%	9.48%	$0.46	$0.45	$18.75-17.75
12/72	66.1	11.68	8.92	0.42	0.45	19.50-18.13
3/73	78.3	12.80	9.81	0.47	0.45	19.75-17.00
6/73	77.3	12.29	9.23	0.44	0.45	17.75-14.00

Portfolio dynamics: Fundings during the last 6 months increased 17% and present portfolio is 75% constr. & devel. and 25% wrap-around, FHA & VA permanents and property. The Sept. portfolio fell a bit due to paybacks and mgmt. estimates portfolio by Dec.'73 will be $80-85M, a 3-10% gain from June. Investments are located in 21 states and P.R. with concentration in Fla. About 70% of constr. and devel. loans are tied to prime. A $2.8M loan was taken over and will be sold. A $1.2M loan in Westchester Co., N.Y., is presently in foreclosure. The two loans are 5.2% of investments. Financing: Trust is funded 53% by capital and 47% by debt. Debt of $41.1M is 53% bank loans and 47% commercial paper. No public financing planned. Sponsor: Independent. Results & outlook: Indicated drop in September portfolio matched with prevailing high interest rates point to lower earnings. December qtr. may come back a bit. Shares are selling at a discount from book value, reflecting uncertainty over funding growth. (VCK)